Office of the Auditor General

REPORT OF THE

OFFICE OF THE AUDITOR GENERAL

TO THE

JOINT LEGISLATIVE AUDIT COMMITTEE

276.1

# NEED FOR IMPROVED ADMINISTRATION OF THE CETA STATE MANPOWER SERVICES GRANT

EMPLOYMENT DEVELOPMENT DEPARTMENT

*OCTOBER 1976*

# Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

# California Legislature

JOHN H. WILLIAMS
AUDITOR GENERAL




October 29, 1976

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report on a federally sponsored State Manpower Service (SMS) grant administered by the Employment Development Department.

The grant authority is derived from the Federal Comprehensive Employment and Training Act (CETA) of 1973. Implementation of the coordinating function was just beginning at the change of administrations in California.

On June 30, 1976, 80,123 placements were accomplished by CETA assistance. Approximately 173,000 other participants had previously passed through CETA, presumably, to private sector or civil service employment.

On February 26, 1975, the California Secretary of Health and Welfare was advised by the U. S. Department of Labor that "I want to impart the same sense of concern about expediting plans for, and obligation of, the balance of Manpower Services funds."

The Auditor General now reports that, over a 23-month period, the State has not expended 67 percent of the total federal funds available. Why?

On June 11, 1976, the U. S. Department of Labor wrote the Director of the Employment Development Department, "This summary points up two facts: that authorized costs (positions approved in the grant) were being disregarded, and that an expanding workload was being met by a staffing level of approximately two-thirds of the full complement. More than numbers is significant; key positions had remained unfilled for months, making decisions about priorities, development of basic administrative guidelines, implementation of an already delayed 4 percent [of Title 2 funds] plan, and unified direction of the office impossible to accomplish."

"Fiscal controls are adequate, but confusing."

". . . advances allowed contractors, now excessive, should comply with Federal requirements."

Neither the Congress nor the California Legislature has the ability to legislate competence. This is the responsibility of the Chief Executive. The Legislature can and should invite attention to inept administration. The CETA State Manpower Service grant sets a sad example for other California departments that administer federal grants.

By copy of this letter the CETA Office is requested to advise the Joint Legislative Audit Committee within 60 days of the status of implementation of the recommendations of the Auditor General that are within the statutory authority of the CETA Office.

The auditors are Gerald A. Hawes and Richard C. Tracy.

Respectfully submitted,

Mike Cullen

MIKE CULLEN, Chairman
Joint Legislative Audit Committee

# TABLE OF CONTENTS

## SUMMARY

We have conducted a management review of the California Employment and Training Advisory Office (CETA Office) and its administration of the Four Percent State Manpower Services (SMS) Grant available under Title I of the Federal Comprehensive Employment and Training Act (CETA) of 1973. This report deals with the state administration of the federal funds available to the Governor for statewide manpower services.

### Findings

Approximately 64 projects and programs are funded by the Four Percent SMS Grant, but only six projects deal specifically with the important coordination activities required by the federal regulations implementing CETA. The efforts to meet these requirements have been insufficient and inadequate to insure the effective and efficient use of federal manpower services funds.

Over a 23-month period, the State expended only $4.6 million of a total federal grant of $13.9 million. Sixty-seven percent of the total grant was not expended in the grant years in which it was made available. Consequently, the Four Percent SMS Grant is creating only minimal impact on the employment and training needs of the people of California.

During fiscal year 1976, 30 to 40 percent of the authorized staff positions in the CETA Office remained unfilled. Key field staff and management positions necessary for effective program implementation and management were vacant for months. The failure to fill authorized positions adversely affected the ability of the CETA Office to carry out established goals and implement planned programs in a timely manner.

On pages 14 and 23 we recommend special corrective actions by the Director of the California Employment and Training Advisory Office.

# INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we conducted a management review of the administration of the Four Percent State Manpower Services (SMS) Grant available under Title I of the Federal Comprehensive Employment and Training Act (CETA) of 1973 (PL 93-203).

The purpose of CETA is stated in Section 2 of the Act:

> . . . To provide job training and employment opportunities for economically disadvantaged, unemployed, and under-employed persons, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible and decentralized system of federal, state, and local programs.

Under Title I of CETA, four percent of total funds are made available to each state to provide State Manpower Services. Regulations implementing Section 106 of the Act specify six mandatory activities for improving the coordination and operation of the state agencies and local prime sponsors delivering manpower services within the State. The thrust of the SMS Grant is to develop state plans and procedures that will reduce duplication of effort and provide coordinated, comprehensive statewide manpower services. There are also five optional activities under the regulations implementing Section 106: (1) providing allowable services by state agencies, (2) getting manpower services to rural areas, (3) developing labor market information, (4)

giving technical assistance to prime sponsors, and (5) sponsoring model training and employment programs for CETA enrollees.

Within the Employment Development Department (EDD), the California Employment and Training Advisory Office (CETA Office) is designated to administer the SMS Grant. The CETA Office supports its operations entirely by CETA funds. Located in Sacramento, the Office reports to the Office of the Director of EDD. It has an authorized staff level of 48 positions which include field staff in San Francisco, Los Angeles, San Diego, and San Bernardino.

During this audit, we examined the CETA Office administration of the SMS Grant at the state level. We interviewed the CETA Office staff, EDD fiscal and administrative support personnel, federal representatives, and others. We examined budgets, personnel records, program operation plans, grants, and other pertinent data. Fieldwork for this audit was concluded in August 1976.

Shown below is the amount of federal funds available to the state through the SMS Grant during fiscal years 1975 and 1976.

| Fiscal Year | SMS Grant |
|---|---|
| 1975 | $ 6,822,881 |
| 1976 | 7,060,686 |
| Total Grant | $13,883,567 |

## BACKGROUND

The Federal Comprehensive Employment and Training Act (CETA) was enacted in December of 1973, after 12 years of national involvement in developing and operating a variety of manpower programs designed to assist unemployed, underemployed and disadvantaged persons in securing and retaining unsubsidized employment. The act consists of seven titles as amended in 1974; it was funded for four fiscal years beginning in 1973.

CETA creates a decentralized manpower system. Authority for planning and operating a flexible system of manpower services is vested in prime sponsors which, for the most part, are states and local governments with populations of 100,000 or more. Prime sponsors conduct a variety of manpower activities and programs including outreach and assessment, employment counseling, on-the-job training, work experience, classroom training, job development, public service employment, and other supportive services.

The State of California has had two major responsibilities since enactment of CETA. First, it serves as prime sponsor for "Balance-of-State" (BOS) areas which do not fall within the jurisdictions of independently eligible prime sponsors. Second, it acts as provider of special manpower services and as coordinator/evaluator of statewide manpower activities.

To foster the State's role as a prime sponsor, the Governor receives Titles I, II, III and VI funds to provide manpower services in BOS areas. Since inception of the program, the State was allocated $61.5 million for BOS operations.

The State may also apply for "Special Grants to Governors" which are composed of:

- Four percent of Title I funds for coordination and special statewide manpower services
- One percent of Title I funds for staffing and support of the California Manpower Services Council
- Five percent of Title I funds for vocational training services in prime sponsor jurisdictions.

In fiscal years 1975 and 1976, the State received $34 million in "Special Grants to Governors."

The California Legislature, in anticipation of CETA manpower revenue sharing funds, enacted the Employment Development Act of 1973. The Act created, among other provisions, the California Manpower Services Council as the State's manpower planning and coordinating body. The State Manpower Planning Office was established to serve as staff for the Council and, following enactment of CETA, to administer the funds made available to the State by the "Special Grants to the Governors."

The State Manpower Planning Office, now called the California Employment and Training Advisory Office, also served as the State's administrative arm in its role as prime sponsor for the BOS program; however, a departmental reorganization on December 1, 1975, transferred this function to the Operations Branch of EDD.

# FINDINGS

## LIMITED EFFORT TOWARD REQUIRED PROGRAM COORDINATION RESPONSIBILITIES

The results of our examination show that the CETA Office is not fulfilling its coordination responsibilities regarding the Four Percent State Manpower Services (SMS) Grant. Out of 64 projects and programs funded by the SMS Grant, only six projects address the coordinative activities required by federal regulations.[1/] Additionally, the CETA Office staff has failed to carry out many of the planned coordinative activities developed in SMS Grant modifications. While each prime sponsor has the obligation to coordinate services within its area, only the State has the mandate and the funds to coordinate services between state agencies and prime sponsors.

Federal regulations provide that SMS funds must be used to improve the coordination and operation of state agencies and local prime sponsors delivering manpower services in the State. Particular emphasis is placed on arrangements that would assure cooperation between the State and local prime sponsors in the sharing of facilities and resources; eliminate inefficient and duplicate manpower services; provide for the exchange of information between the State and local governments on any plans that may be related to manpower planning; encourage the listing of CETA program position openings with state employment offices; and

[1/] 29 C.F.R., Section 95.56 (c) (1&2).

provide for coordinated, comprehensive statewide manpower programs and services.

There are also many optional activities approved for fund use; for example, providing manpower services to rural areas, developing labor market information, giving technical assistance to prime sponsors, and sponsoring model training and employment programs.

SMS funds have primarily been used to support optional rather than required SMS activities. Most funds are obligated to support model employment and training projects, while very little is directed toward improving the coordination of manpower services throughout the State. As shown by the table on the next page, projects that address the coordination requirements of CETA regulations make up only about nine percent of the total SMS projects funded as of June 17, 1976. Total dollars obligated to required coordination projects is $330,273, or 4.5 percent of the total dollar amount available.

SUMMARY OF TYPES OF PROJECTS
FUNDED BY FOUR PERCENT SMS GRANT

| Types of Projects Funded | No. of Projects | Dollar Amount |
|---|---|---|
| **Required Activities** | | |
| Coordination | 6 | $ 330,273 |
| Subtotal | 6 | $ 330,273 |
| **Optional Activities** | | |
| Miscellaneous Manpower Services | 9 | $1,047,808 |
| Assistance to Rural Areas | 3 | 327,512 |
| Labor Market Information | 2 | 814,626 |
| Technical Assistance to Prime Sponsors | 4 | 48,997 |
| Model Demonstration Projects | 40 | 5,079,960 |
| Minus De-obligations | | 360,567 |
| Subtotal | 58 | $6,958,336 |
| Total | 64 | $7,288,609 |

During fiscal year 1975, the Employment Data and Research Section of EDD estimated that there were 1,368,900 people in Los Angeles County that could benefit from manpower services such as those available under CETA. Within Los Angeles County, six prime sponsors provided a variety of employment and training services with approximately $292 million in CETA funds.

The CETA Office funded only one coordination project in Los Angeles County. The project was funded initially at $82,094 on August 1, 1975. The project starting date was revised to begin February 1976

because of a five-month delay in implementation. The project has no apparent impact on the coordinated delivery of manpower services in this large urban area. Both the delayed start and the relatively small amount of the grant (with respect to total CETA dollars being obligated in the county) have hindered this project's ability to effectively coordinate manpower services in Los Angeles County.

Because of the Department of Labor's concerns about the required SMS coordinative responsibilities, the CETA Office included plans for coordination activities in the fiscal year 1976 modification to the SMS Grant. The CETA Office field staff was given the primary liaison function to carry out coordination of state and local manpower services. Staff responsibilities included prime sponsor program review, overall coordination activities, and assistance in the preparation and negotiation of SMS contracts.

The 12-member field staff assigned to the above functions has never reached a full complement. In September 1975, six vacancies existed. In December 1975, four vacancies existed. In March 1976, five vacancies existed. As of June 1976, two field staff positions remained unfilled. In addition, one of the two field staff supervisor positions remained unfilled. These vacancies hindered the CETA Office in providing on-going and adequate coordination assistance. As a result, liaison functions were not effective. (Other problems relating to understaffing are discussed later in this report.)

The CETA Office has also failed to carry out planned coordination activities developed in the fiscal year 1976 modification to the SMS Grant. The modification planned to establish local coordination groups, consisting of state agency representatives and local prime sponsors, to encourage development of joint funding, sharing of resources and information, and elimination of duplicate services. A comprehensive list of additional resources was to be prepared by March 31, 1976. In addition, the field staff was to further assist prime sponsors and funding agencies by conducting a series of seminars during May of 1976.

None of the above planned coordination activities were accomplished. Local coordination groups were not formed, a resources listing was not developed, and coordinating seminars were not held.

Within the CETA Office there is a general lack of understanding of the SMS coordination role mandated by federal law. Interviews with staff members indicate that CETA Office energies are focused on project development and administration rather than required coordination. One senior field staff member was unable to identify any procedures that encourage contractors, prime sponsors, and others to list employment openings with EDD. He wasn't familiar with the mandatory job listing program or with how the CETA Office staff should encourage its use. Although this staff member indicated that the field staff function was primarily one of coordination, his description of work performed dealt generally with administration--to contract, monitor, and evaluate SMS demonstration projects.

Most actions of the CETA Office have been directed toward implementing federal regulations that emphasize the optional and not the required activities. We have not determined whether this is a deliberate policy decision or a misinterpretation of CETA statutes; however, these actions are somewhat understandable due both to the statutory ambiguity of CETA legislation and the absence of specific federal procedural guidelines.

The federal representative assigned to regional Department of Labor offices acknowledges an uncertainty about the proper direction of SMS activities.[1/] Most states have had problems in defining and carrying out the SMS coordinating role, and it appears that other states besides California have placed less than satisfactory emphasis on the coordination of resources between state agencies and local prime sponsors. This remains a federal goal, however, and California has not exercised leadership in attaining a high degree of coordination.

## CONCLUSION

We believe that the activities required by federal regulations (29 C.F.R. 95.56 [c] [1]) should be fully addressed and carried out by the CETA Office. The coordination responsibilities are useful, legitimate, and necessary to insure the effective and efficient

---

[1/] 29 C.F.R. 95.56 (c) (1) as amended on June 25, 1976, clarifies those activities that are required to be performed by the State.

use of federal manpower services funds. CETA Office efforts to fulfill these coordination requirements have been insufficient and inadequate.

RECOMMENDATION

We recommend that the CETA Office develop and implement plans to address the mandated coordination responsibilities under regulations 29 C.F.R. 95.56 (c) (1) of CETA. The Director of the CETA Office should work closely with federal representatives from the Employment and Training Administration to resolve questions of legislative intent and to develop methods to fulfill the State's role as statewide coordinator of manpower services.

BENEFITS

Implementation of these recommendations will result in more efficient statewide delivery of employment and training services, and will assure that federal manpower funds available to the State will be economically and effectively used.

CONSISTENT FAILURE TO PERFORM GRANT FUNCTIONS

The following quotations are from federal Department of Labor reviews of the State's role in administering CETA funds. The descriptions evidence the consistent failure of the CETA Office to adequately perform its primary functions.

On February 26, 1975, the Assistant Regional Director of Manpower, U. S. Department of Labor, in a letter to the Secretary of the California Health and Welfare Agency said: (See Appendix B-1 for full text.)

> I should point out that local and balance-of-state sponsors are not alone in experiencing delays in fund utilization. The December 31 report for the Special Grant, funding Manpower Services Council Activities, shows enrollments and costs for both vocational educational and services projects as below 25 percent of levels planned for that period. $235,000 is reported as the five-month accrued expenditure, compared with over $7 million available for obligation and expenditure during most of the period. I have discussed with Jim Lorenz some of the problems associated with vocational education negotiations. I want to impart the same sense of concern about expediting plans for, and obligation of, the balance of Manpower Services funds.

On April 30, 1975, the Assistant Regional Director of Manpower indicated his continuing concerns in a letter to the Director of the Employment Development Department: (See Appendix B-2 for full text.)

> Delays in utilization of SMS funds are associated with low level first round funding, a time-consuming evaluation process, and the uncertainty of commitments to the balance of these funds when the administration changed.

> The effect of these underexpenditures is that funds potentially available this fiscal year to address California manpower problems have not been maximized. Of the $16.7 million special grant allocation, $6.5 million has yet to be obligated; and based on the most recent information available, we estimate that at least $8.35 million will not have been expended by the end of fiscal year--compared with $1.9 million initially planned.

On July 14, 1975, the Region IX U. S. Department of Labor representative for "Special Grants to Governors" in a letter to the Director of EDD said: (See Appendix B-3 for full text.)

> In early June, it became apparent that an acceptable 1976 plan could not be submitted sufficiently early to allow funding by July 1, and your 1975 grant was extended to the end of July. At this point, although there has been visible progress in correcting 1975 deficiencies, and in developing an application for this fiscal year, I believe further extension of the SMSC (1 percent) and SMS (4 percent) portions of the grant is necessary. An extension, through September, will give you an opportunity to refine management and program plans for 1976 as well as time to orient the State Council to its role and to obtain its recommendations regarding program proposals and coordination of state and local manpower activities.

In a letter dated August 5, 1975, to the Director of EDD, the federal representative commented again on one percent and four percent grant performance: (See Appendix B-4 for full text.)

> The evident consequence of the failure to free budgeted positions is the lack of preliminary staff work relative to SMSC functions. Somebody made the point at the National Commission hearings that the State was casting about to find an appropriate role. That's no doubt true in part, but on the other hand, CETA does mandate certain activities under the 1% and 4% sections where expected outcomes need to be articulated and a structure developed to support them. Thus far, there has been more thought and action put into those activities which are optional, than into those required.

The following exerpts are from the letters dated November 4, 1975, from the federal representative to the Director of EDD: (See Appendix B-5 for full text.)

> I am more concerned about timely decisions for distributing 4 per cent funds. I have reviewed the preliminary results of the SMSC Policy Committee's survey which provides a solid basis for SMSC recommendations. That ground-work needs to be acted on this month if 4 per cent activity is to begin to mesh with the grant period and, for model programs, with prime sponsor's planning and funding cycles.
>
> Perhaps the most alarming information reported is that after 14 months of operations and costs approximating only 20 per cent of the 1975 allocation for SMS activities, the September 30 enrollment level is still 30 per cent below that planned. Whether this is due to slow start up of proposals approved last summer or poor performance of active contracts needs to be determined and appropriate assistance provided.

On January 28, 1976, the federal representative wrote to the Director of the CETA Office: (See Appendix B-6 for full text.)

> We also discussed the lack of systems (for want of a better word) in managing 4 percent activities. There is not only a need to plan on a reasonably timely basis, but a need as well to ensure follow-up based on articulated policies.
>
> Still on the 4 per cent, but from another perspective, some additional thinking is needed on ways to fulfill your coordinating responsibilities vis-a-vis State agencies and CETA sponsors. . . . Your plan this year describes the creation of local coordination groups, but as far as I know the staff work necessary to get that kind of effort underway has not been done.

On May 27, 1976, in a letter to the Director of EDD, the federal representative said: (See Appendix B-7 for full text.)

> . . . consistent delays in planning, funding and regulating contract activities, job descriptions which do not describe jobs being performed are all perhaps reflective of the extensive turnover and vacancies experienced this year in key positions in that office.

The first of the above observations occurred when the program had been in operation six months; the last occurred almost two years after operations began.

CETA regulations (29 C.F.R. 95.31) require sponsors to exert maximum effort in implementing programs. As of June 30, 1976, approximately $13.9 million in federal funds had been provided for State Manpower Services; however, after 23 months of operation (August 1, 1974 to June 30, 1976) only $4.6 million had been spent. When the first critical comment was made, the unexpended balance of federal funds was $2.3 million; the balance increased to $9.3 million by June 1976.

The consistent failure to use available funds is shown in the following table. The CETA Office planned to expend $8.5 million by the end of fiscal year 1976 and to carry over $5.4 million into the next fiscal year. The actual carry over was $9.3 million with expenditures of $4.6 million meeting only 54 percent of the stated goal of $8.5 million.

As is indicated by the quotation from the April 30, 1975, analysis, the effect of underexpenditure is that funds available to address California manpower problems are not expeditiously used. We have not ascertained to what extent the failure to use these federal funds contributes to California's rate of unemployment being approximately 20 percent above the national rate. However, it is reasonable to conclude that California's higher unemployment makes the above quoted observations of more serious concern.

EXPENDITURE OF FOUR PERCENT SMS GRANT*

| Availability Period Ending | Allotment Available | Amount Expended | Planned Expenditure | Amount Not Expended | Percent Not Expended |
|---|---|---|---|---|---|
| **Fiscal Year 75** | | | | | |
| July 74 | $ 475,000 | $ | $ | $ 475,000 | 100% |
| October 74 | 2,636,311 | | | 2,636,311 | 100 |
| December 74 | 2,636,311 | 86,000 | 335,000 | 2,555,311 | 97 |
| March 75 | 2,636,311 | 258,000 | 1,155,000 | 2,292,311 | 87 |
| June 75 | 6,822,881 | 753,746 | 959,987** | 6,069,135 | 89 |
| **Fiscal Year 76** | | | | | |
| September 75 | 6,822,881 | 1,409,071 | N/A | 5,413,740 | 79 |
| December 75 | 13,883,567 | 2,344,054 | N/A | 11,539,513 | 83 |
| March 76 | 13,883,567 | 3,143,472 | N/A | 10,740,095 | 77 |
| June 76 | 13,883,567 | 4,581,517 | 8,481,926 | 9,302,050 | 67 |

*Cumulative Column Totals.

**Revised Plan.

Three principal causes of delay in using the SMS Grant funds are: late submission of grant modifications, the time consuming state funding process, and the lengthy state contract approval process. Appendix A describes these items.

## Insufficient Staff

The CETA Office did not hire the manpower necessary to effectively administer the SMS Grant. The Office has been continually understaffed because management and staff positions have remained vacant for extended periods. Funds for this staff are 100 percent reimburseable by Federal Title I One-Percent Special Grant.

For fiscal year 1975-76, the CETA Office was staffed at approximately two-thirds of the EDD authorized ceiling. Thirty to forty percent of the authorized positions remained vacant during a 12-month period of expanding workload. The extent to which CETA Office positions were filled and vacant since July of 1975 is shown below.

| | Authorized Ceiling | Filled Positions | Vacant Positions | Percent Vacant |
|---|---|---|---|---|
| July 1975 | 47 | 27 | 20 | 43 |
| September 1975 | 46 | 26 | 20 | 43 |
| December 1975 | 46 | 30 | 16 | 35 |
| February 1976 | 47 | 31 | 16 | 34 |
| March 1976 | 47 | 31 | 16 | 34 |
| June 1976 | 48 | 35 | 13 | 27 |

In a June 1976 letter to the Director of the Employment Development Department, the federal representative from the Department of Labor, Employment and Training Administration, summarized her conclusions and recommendations arising from intermittent monitoring of the special grant. Below is an excerpt from that letter. (See Appendix B-8 for full text.)

## Organization, Staffing and General Administration

> Over its two-year life, the most characteristic administrative feature of the State CETA Office has been the extent of its continuing staff vacancies . . . more than numbers is significant; key positions had remained unfilled for months, making decisions about priorities, development of basic administrative guidelines, implementation of an already delayed 4% plan, and unified direction of the Office impossible to accomplish.

Two key management positions were left unfilled for four to five months--the Deputy Director's position was vacant from at least February 1 to June 30, 1976; the position of Chief of the Comprehensive Planning and Services Unit was vacant from December to May 1, 1976. Vacancies in these two positions denied the CETA Office vital management direction for almost half of the fiscal year. Other important staff positions were also vacant for extended periods during fiscal year 1976. They included Executive Secretary, Labor Market Information and Reporting, Prime Sponsor Reports and Review, and Communication and Bill Analysis.

Some of the above positions have been filled; however, as of June 1, 1976, the following professional positions were vacant:

- Administrative Assistant to the Director
- Deputy Director, CETA Office
- Field Supervisor, Southern California
- Two Employment and Training Consultants, Southern California
- Prime Sponsor Reports and Reviews

- Comprehensive Certification and Planning Analyst

- Analyst for Communication and Bill Analysis.

Our audit efforts have not produced satisfactory explanations for these staffing delays. We hope the agency will address this question in its response to this report.

The failure to fill authorized staff positions has adversely affected the ability of the CETA Office to implement programs in a timely manner and to carry out established goals. For instance, submission of grant modifications was delayed, review of grant proposals and selection of projects did not follow established timetables, local coordination groups and resource listings were not developed, and coordination seminars were not held.

Insufficient staff to adequately administer a manpower services program was a factor in the CETA Office receiving a marginal assessment rating by the regional office of the Department of Labor. Marginal performance is unsatisfactory performance by federal standards.

## CONCLUSION

The CETA Office has not developed plans nor procedures that effectively provide for the timely use of SMS funds. The Office has consistently failed to perform essential grant administration functions, particularly regarding submission of grant modifications and funding of

demonstration projects. Consequently, the SMS Grant was only 33 percent expended, funds were not spent during the grant year, and $9.3 million was carried over into the transition quarter that began July 1, 1976.

The CETA Office is not sufficiently staffed to effectively administer the SMS Grant. The failure to meet goals and conduct essential program functions can be traced to the continuing vacancies in key management and staff positions.

## RECOMMENDATIONS

We recommend that the California Employment and Training Advisory Office develop plans and procedures to provide for the timely expenditure and use of SMS funds. In the future, grant modifications should be submitted on time and project funding procedures should be streamlined. These are the specific actions that need to be taken:

- Develop adequate advanced planning procedures; for example, preapplication requests or requests for quotes should be issued as soon as the availability of federal funds is known.

- Establish formal work agendas and implement specific time schedules.

- Create administrative systems that eliminate delay, standardize work tasks, and promote prompt use of manpower resources.

- Develop a system of follow-up and review to assure that the above recommendations are being properly implemented and program goals are being achieved.

We also recommend that the Director of the CETA Office fill vacant positions with qualified personnel without further delay.

BENEFITS

Implementing these recommendations will enable the CETA Office to provide unemployed, underemployed, and disadvantaged Californians a greater opportunity to receive and participate in currently available employment and training services.

Respectfully submitted,

John H. Williams
Auditor General

October 26, 1976

Staff: Gerald A. Hawes
Richard C. Tracy

State of California

Health and Welfare Agency

# Memorandum

To : GERALD A. HAWES

Date : October 22, 1976

File No.: 77:5:gw

From : **Employment Development Department**
State CETA Office - MANUEL ORTIZ

Subject:

We have received and reviewed your draft entitled "Need for Improved Administration of the CETA State Manpower Services Grant," and dated October 1976. We would like to make comments in two areas: The first concerns the facts that you have stated in the report and the second concerns the findings that are presented in the report.

FACTS STATED IN THE REPORT

We have found several errors in substance in the draft report. Attached to this letter is a copy of the draft report (Attachment #1) - all factual errors have been corrected. We will make substantiating information of those corrections available to you, at your request.

FINDINGS PRESENTED IN THE REPORT

The following findings are outlined in your draft report:

- Limited effort toward required program coordination responsibilities
- Consistent failure to perform grant functions
- Insufficient staff

We would like to discuss each of these findings:

- Limited effort toward required program coordination responsibilities

Of the 64 projects and programs funded by the State Manpower Services Grant, (SMS) 14 projects address the coordinative activities required by federal regulations. Those 14 are listed in Attachment #2. The total dollars obligated to required coordination projects as of June 17, 1976 was $3,513,335.

It is true that SMS funds have been used to support optional as well as required SMS activities; however, the funds are discretionary, and they may be allocated to optional programs and projects as well as to required programs and projects. It is necessary to allow the Governor flexibility to allow priorities on a year to year basis. In all cases, however, both required and optional activities are funded.



DE 16 REV. 11 (1-75)

We are concerned with your statement regarding the "1,368,900 people in the Los Angeles County that could benefit from Manpower Services such as those available under CETA." It is true that people in Los Angeles County can and do benefit from the CETA program.

Of the 4% Discretionery Funds for 1975 and 1976, approximately 20% (See Attachment #3) goes to organizations based in Los Angeles County. Los Angeles itself received approximately $18M and carried over unexpended funds in the amount of $13.5M into 1976. It is not the responsibility of 4% funds to alleviate unemployment problems locally. We are also concerned about the required SMS coordinative responsibilities that you mention in the Draft report. There has been a prime sponsor review unit created since July 1976. Attachment #4 will give you additional information about the unit and the duty statements of the analysts assigned to that unit. The unit is located in the program support portion of the organization, not the field staff portion of the organization.

You are accurate about the vacancies that existed in the field staff. As of October 1, 1976, there was one position vacant. And, even though one of the field staff supervisor positions remained unfilled, a person did assume the duties of the position prior to officially filling the position. As of July both field staff supervisor positions were filled.

The CETA Office did carry out planned coordination activities developed in the FY 1976 modification to the 1976 grant. Specifically, a task force was set up by the rural programs which promoted coordination and cooperation among the rural programs throughout the state.

And, we do hope that there is not general lack of understanding of the SMS coordination role mandated by federal law. Each person in the State CETA Office has a copy of the Federal Regulations regarding the CETA program be thoroughly familiar with the regulations and their intent. Within the framework of the regulations, policy is established by the Director of the State CETA Office.

And finally, we are working closely with the federal representative assigned to the CETA program to ensure that the decisions made and the programs and projects funded are within the framework and intention of the law and regulations.

CONSISTENT FAILURE TO PERFORM GRANT FUNCTIONS

We are concerned about the portions of letters that you have quoted in the Draft report.

Letter of February 26, 1975 from the Assistant Regional Director of Manpower, U. S. Department of Labor to the Secretary of the California Health and Welfare Agency deals primarily with the performance of Prime Sponsors in developing PSE positions under Title II and the need to meet the June 30, 1975 deadline for fund expenditures, which has nothing to do with the Governor's 4% Discretionery Funds.

In addition, DOL was fully aware of the problems CETA-O was experiencing with Vocational Education over the policy and procedures to be used for negotiating non-financial agreements with Prime Sponsors. (Voc Ed considered the funds to be obligated as soon as the allocations for primes were established, whereas DOL does not consider the funds to be obligated until the non-financial agreements have been completed and approved.)

The letter of July 14, 1976 from the Region IX Department of Labor Representative to the Director of EDD, explains the steps to be taken to ensure refunding of the CETA Office Special Governor's Grant prior to the end of the fiscal year. This paragraph has no significant meaning as quoted. However, when read in context, as a paragraph of the letter it is merely intended to be informational -- not critical.

In the letter of August 5, 1975 from the federal representative to the Director of EDD, the quotation is a portion of a paragraph and connotes an entirely different meaning when isolated. The letter from which this quotation was extracted is a letter discussing the Quarterly Progress Report, wrapping up the first year's activity under the Special Governor's Grant. The federal representative identifies several problem areas in need of attention and makes recommendations for dealing with them. Specifically this paragraph was pointing out that the Special Grant had a carry-over of 1% funds of $850,000, assuming a full staff complement. The problem of staffing is addressed elsewhere in this summary as well as the corrective action taken.

Apparently there were two letters written to the Director, EDD, November 4, 1975. The first quotation deals with the timely decisions required for distribution of 4% funds. It appears that the quote is from a letter to request that we step up action on the RFP process to shorten the RFP procedure.

The second quotation is from a letter discussing the attached quarterly report for the period ending September 30, 1975. The quotation is not significant when viewed in context as a part of the entire letter.

When the fact that the federal representative has acknowledged that progress has been made in the area of the 4% contracts as the methodology becomes more refined and additional staff is brought aboard, this quotation is out of context.

Letter of January 28, 1976 from the federal representative to the Director, CETA-O. These quotations are from a letter written to the Director, CETA-O after initial meeting with the federal representative. It was intended as a summarization to this initial meeting and nothing more. Attached to the letter is an outline of the areas the federal representative will use when monitoring 4% contracts.

The intent of this letter appeared to be a sincere effort to acquaint a new Director with problem areas in the CETA Office. The federal representative commended the new Director of immediate action already taken to correct problem areas.

Letter of May 27, 1976 from the federal representative to the Director, EDD. During this period of time, the Director, CETA-O was in the process of filling vacant positions and complying with the Affirmative Action Plan to achieve ethnic and sex balance in office staffing. Also, it was necessary to work closely with the EDD personnel section and SPB due to the Cal Trans hiring restriction, employment freeze, etc.

In summation, the quotations are extremely inappropriate as presented and redundant of the three problem areas existing when the new director came aboard:

1. reporting (2) personnel staffing
2. 4% contract procedures

Steps were immediately taken to alleviate these problem areas.'

In summary, we are very concerned about the excerpts that you have chosen to include in the Draft report. We hope that you will re-review these letters and either choose to quote them in context or exclude them.

INSUFFICIENT STAFF

You are accurate that the CETA Office has been understaffed. Since February 1976, there has been an SPB freeze on hiring. We have only been able to receive a minimal exception to that freeze. Consequently, we have only hired six new staff. As of October 1976, the authorized ceiling is 52 positions, 42 positions are filled, certs are in for 3 more positions (will be filled quickly) and 7 positions are vacant.

All key management have been filled; there is no longer an Administrative Assistant to the Director; the Deputy Director position has always been filled; the field supervisor, Southern California has always been filled; one E & T consultant, Southern California position has been filled; in the new unit of prime sponsor reports and review, 3 positions exist; 1 position has been filled, certs on 2 remaining have been requested; a cert has also been requested for the comprehensive certification and planning analyst.

In summary, we regret that the report omits completely any reference to the SPB freeze on CETA hiring. The freeze was imposed in February of 1976 and continued through the summer months. Attachment 4 will indicate that in spite of the hardship imposed by the freeze there has been marked progress in staffing.

The CETA Office has developed plans and procedures through which they can better administer the Governor's Special Grant, meet the intention of the Federal Regulations and obtain a satisfactory rating from the Department of Labor.

Specifically, we have identified approximately 60 projects that will be completed between July 1, 1976 and December 31, 1976. It is the intention that each of these will move the CETA Office and the Governor's Special Grant toward greater compliance with the Federal Regulations.

We are communicating more with the Department of Labor federal representative

so that we can obtain more information about the DOL requirements and obtain assistance whenever necessary.

It is our intention to obtain a satisfactory rating from the Department of Labor during their next review.

If you have any questions, or would like additional information please contact Jane Foley at 2-4950.

# AUDITOR GENERAL'S ANALYSIS
# OF THE
# CETA OFFICE RESPONSE TO THIS REPORT

The CETA Office responded to the Auditor General's draft report--"Need for Improved Administration of the CETA State Manpower Services Grant"--on October 22, 1976. Their response discussed points of disagreement regarding various findings in the draft report. We have examined all of the areas of disagreement and conclude that no changes to this report are warranted. This is our analysis of the areas in question.

The response discusses "errors in substance" under the heading Facts Stated in the Report and states that "factual errors have been corrected" by CETA in the draft of the report returned with their response. All other substantive disagreements with our report except one are also discussed in the section of the agency's letter under the heading Findings Presented in the Report.

On pages 1, 18 and 23 of the report, current spending levels at the CETA Office are discussed. The CETA Office refers to both expenditures and encumbrances, the latter meaning contractural agreements to spend federal dollars in future years. We do not consider this to be "a factual error" and again quote from the Department of Labor (DOL) letter of April 30, 1975--the one letter not alledged by the CETA Office to be quoted out of context. In this letter the Assistant Regional Director of Manpower in DOL stated:

> The effect of these underexpenditures is that funds potentially <u>available this fiscal year</u> to address manpower problems <u>have not been maximized</u>. (Emphasis added)

If the federally required coordination function is a valid one as well as a mandated one, and we believe it is both, then the State CETA Office should consider implementing the recommendations in this report.

Their response also discussed points of disagreement regarding various findings in the draft report under the heading <u>Findings Presented in the Report</u>.

<u>Report Finding Questioned by CETA</u>:

<u>Limited Effort Toward Required Program Coordination Responsibilities</u>

Commenting on our conclusion on page 13, the CETA Office pointed out several areas where they felt we had made errors in substance and in fact. Their letter stated that out of 64 SMS projects funded as of June 17, 1976, 14 projects (rather than six projects as we reported) address the coordinative activities required by federal regulations (C.F.R. Section 95.56 (c) (1&2). Our analysis of the 14 coordinative projects claimed by the CETA Office shows that three of the projects were funded <u>after</u> June 17, 1976, one project was counted <u>twice</u> in their computation, one project (ED&R, Labor Market Information) clearly addresses <u>optional</u> activities permitted under regulation 95.56 (c) (2) (iii), and three projects, in our opinion are questionably attributed to required coordination activities under Section 95.56 (c) (1).

The Office of the Auditor General understands the discretionary nature of the SMS Grant. We also agree that effective management of the grant necessitates a flexible approach to program activities. However, we do not believe that the present ratio of federally required projects to optional projects in terms of the number of projects funded and the amount of resources obligated can effectively or adequately address the mandates of Section 95.56 (c) (1&2).

On page 2 of the response the CETA Office indicates concern regarding our statement "1,368,900 people in Los Angeles County could benefit from manpower services such as those available under CETA." We do not understand the basis for this concern. We do not suggest that people in LA County do <u>not</u> benefit from CETA; nor do we suggest that the SMS Grant is responsible for alleviating local unemployment problems. Our report illustrates that LA County, a recipient of millions of dollars in manpower funds, could benefit from SMS activities that address a <u>coordinative</u> role. Our report states that only one <u>coordination</u> project was funded in this large urban area and it was of little value in reducing duplicative services, providing shared resources and eliminating conflicting relationships.

The CETA Office also states on page 2 of their response that they "did carry out planned coordination activities developed in the fiscal year 1976 modification to the 1976 grant." Our report identified on page 12 three planned coordinative activities developed in fiscal year 1976 modification (Mod 606, <u>B</u> State Manpower Services Program Narrative pp. 15-16). The activities were: 1) establish local coordination

groups, 2) prepare a comprehensive listing of additional manpower resources, 3) conduct a series of seminars to assist prime sponsors and funding agencies. We reiterate that these planned coordination activities were not accomplished.

Report Finding Questioned by CETA:

Consistent Failure to Perform Grant Functions

The CETA Office response evidenced great concern that we had quoted letters from the federal Department of Labor out of context (report pages 15-17). Moreover, they asked that we either quote them in context or delete them. To promote full disclosure of our audit findings, and to assure that the quotes appearing in this report have not been quoted out of context, we have printed the full text of the Department of Labor letters as Appendices to this report.

Report Finding Questioned by CETA:

Insufficient Staff

The comments relative to staffing speak of a State Personnel Board (SPB) freeze on hiring from February 1976 through the summer months. In spite of this "freeze" on hiring, costs of which are 100 percent reimburseable by federal funds, the CETA Office filled six positions.

It should also be noted that during the seven months prior to the SPB freeze (July 1975 - January 1976) 30 to 40 percent of the authorized positions remained vacant.

It should further be noted that as of October 22, 1976, after the hiring "freeze" had been curtailed, 19 percent of the CETA Office authorized positions remain vacant.

APPENDIX A

PRINCIPAL CAUSES OF EXPENDITURE DELAYS

Three of the principal causes of delays in expending the SMS Grant are:

- Late submission of grant modification
- Time consuming funding process
- Lengthy contract approval process.

Late Submission of Grant Modification

The CETA Office failed to submit the fiscal year 1976 grant modification in time to receive the allotment by the Federal Government on July 1, 1975. The late submittal of a modification for the 1976 grant resulted in a six-month delay in approval of $7 million in manpower funds and contributed to the underexpenditure and untimely use of the SMS Grant.

The CETA Office is required to submit modifications to their special grant when special conditions dictate. These modifications generally occur when there are 1) changes in allotment levels, 2) changes in the term of the grant, or 3) substantial changes in program design. Three modifications related directly to the SMS Grant.

1. Modification 501, approved October 1974, increased the initial allotment by $2,161,311

2. Modification 503, approved June 1975, increased the fiscal year 1975 allotment by another $4,186,570

3. Modification 606, approved December 1975, provided for a total fiscal year 1976 allotment of $7,060,686.

The U.S. Department of Labor required submission of a modification for use of the fiscal year 1976 SMS Grant by June 6, 1975. In early June it was apparent to federal representatives that the modification could not be submitted early enough to allow for funding at the beginning of the fiscal year. An extension of their fiscal year 1975 grant was allowed until the end of July. On July 14, the U.S. Department of Labor again extended the term of the fiscal year 1975 grant to September because the fiscal year 1976 modification was incomplete. At this time, the federal representative in charge of special grant activities indicated that the extension of the fiscal year 1975 grant should not be interpreted by EDD as a change in the federal policy regarding maximum utilization of fiscal year 1975 and fiscal year 1976 funds by June 30, 1976.

In September, the CETA Office submitted the modification; however, they failed to submit an approvable affirmative action plan and approval of modification was again delayed. The complete modification was submitted in December and the fiscal year 1976 grant was finally approved on December 24, 1975, six months after the start of the fiscal year.

The State is also eligible for $1.8 million in SMS funds to provide for continued support during the period July 1, 1976, to September 30, 1976, a "transition quarter" while the Federal Government establishes its new fiscal year cycle beginning October 1, 1976. The SMS Grant modification for the transition quarter was due in the Department of Labor regional office on March 31, 1976. Funding was to be available July 1. As of June 15, the transition quarter modification was still being prepared by CETA Office staff.

The CETA Office, with policy direction from the California Manpower Services Council, decides on the use of the funds for a wide range of manpower services. The SMS Grant is used at the state and local levels to provide manpower services coordination, labor market information, and other special programs. But primarily, the Grant is used to fund demonstration projects throughout the State. These projects are funded through a formal application process.

## Time Consuming Project Funding Process

During fiscal years 1975 and 1976, three formal project funding efforts were made to obligate SMS funds to manpower projects. We found that the process used to fund projects is time consuming and has contributed to the underexpenditure and untimely use of the SMS Grant.

### Fiscal Year 1975

During fiscal year 1975, the CETA Office issued two requests for proposals (RFPs) obligating $6 million of SMS funds to various manpower projects throughout the State.

The following chart illustrates the time spent on the two RFPs. The CETA Office, in order to fund at least 90 percent of the projects, spent eight months on RFP Number 1 and seven months on RFP Number 2. The average time spent to fund a project was 5.8 months. Thirty-one projects, or 60 percent of the total funded by the fiscal year 1975 grant, were not funded until fiscal year 1976. Seventeen projects, or 33 percent, were not funded until the third quarter of fiscal year 1975.

TIME REQUIRED TO FUND PROJECTS
FOLLOWING RFP NO. 1 AND NO. 2*

| | RFP No.1 | RFP No.2 |
|---|---|---|
| Public issuance of request for proposals | 7/74 | 3/75 |
| Final submission date for proposals | 9/74 | 5/75 |
| Planned selection date of proposals | N/A | 6/75 |
| Number of projects funded | 19 | 33 |
| Date by which majority of projects funded | 2/75 | 8/75 |
| Date by whicy 90% of projects funded | 3/75 | 10/75 |
| Time spent to fund majority of projects | 7 mos. | 5 mos. |
| Time spent to fund 90% of projects | 8 mos. | 7 mos. |

* It should be noted that funds obligated by RFP No. 2 came from the same fiscal year appropriation as those funds obligated as a result of RFP No. 1.

A fair appraisal of CETA Office performance during fiscal year 1975 must be made in light of some constraints that were beyond its direct control. The mid-year passage of CETA (December 1973) resulted in an abbreviated start-up period. Tight time frames were imposed on the basic tasks necessary for program implementation by the beginning of fiscal year 1975. Consequently, the majority of CETA Title I projects nationwide were not signed until September 1974, with 98 percent of them signed in October 1974.

While interpreting and carrying out new and complex legislation, the CETA Office was often hampered by unspecific federal requirements and changing federal regulations and procedures. It can be reasonably

expected that the development of new systems to meet new responsibilities may delay first year implementation.

Faced with first-year delay in funding and the problems it created with underexpenditure of funds, the CETA Office should have aggressively developed plans and procedures for the timely use of fiscal year 1976 funds. The CETA Office performance in meeting the challenge to match the funding cycle to the fiscal year was inadequate.

Fiscal Year 1976

During fiscal year 1976, the Office replaced the RFP process in favor of a preapplication request followed by a formal request for quotes. The preapplication request was published in December 1975. Preapplications were received and reviewed and a request for quotes was issued in March 1976. According to Department of Labor regional officials, 75 percent of the fiscal year 1976 grant had not been obligated to selected projects at the end of May 1976--one month before the end of the fiscal year.

The preapplication process consisted of submission of a one-page description of a proposed project that was routed through the Prime Sponsors affected by the proposal. The preapplication was developed to assist the CETA Office in more effectively identifying the needed services in the local areas. After identifying the most desirable services and programs, a formal request for quotes was to be issued and projects were to be selected and funded from the responses. A timetable for completion of the process was in the preapplication package.

TIMETABLE

| | | |
|---|---|---|
| December 19, 1975 | - | Receipt of completed preapplication form by prime sponsors. |
| December 31, 1975 | - | Prime sponsor forwards to State Manpower Planning Office preapplication forms with priority need rating and additional comments. |
| January 9, 1976 | - | Demonstration program ideas selected by State Manpower Planning Office. |
| January 23, 1976 | - | Request for quotes for selected specific programs issued to prime sponsors and other interested groups. |
| February 6, 1976 | - | Final quotes for programs forwarded to State Manpower Planning Office. |
| February 20, 1976 | - | Notification of successful competitors and processing of contracts. |

The CETA Office failed to follow its implementation timetable. The formal request for quotes was not issued until March 26, and notification of selected programs was not released until May 27. Contract negotiations were initiated on June 14. By the time fieldwork for this audit was concluded, the CETA Office had estimated that most projects would be funded, following contract processing, between August 1 and September 1, 1976--seven months from the publication of preapplication requests. This time-consuming process has resulted in an additional delay in the utilization of $5.5 million in federal manpower funds.

## Lengthy Contract Approval Process

The third factor contributing to the delays in funding SMS projects is a lengthy contract administration stage. Once proposals are selected, the CETA Office field staff negotiates contract terms with

potential project operators. After negotiation, the contracts proceed through a multiple review stage including the CETA Office (where an official log is maintained), EDD Central Contracting Group (where another official log is maintained), EDD Budget Planning and Analysis Section, EDD Legal Section, EDD Fiscal Section, and the Departments of Finance and General Services.

There are no established time schedules for processing contracts through this review stage. The process is lengthy, generally taking four to eight weeks to accomplish. Several CETA Office staff members blame funding delays on the lengthy approval process for SMS contracts. The blame centers on the fact that late contract funding is due primarily to approval delays within the CETA Office and the state administrative machinery.

Recently, the CETA Office has substantially reduced the contract review time by eliminating the Department of General Services and the Department of Finance reviews. The CETA Office now treats SMS projects as "subgrants," rather than contracts, and is able to bypass the lengthy contract review by General Services. General Services was allowed at least 10 days to return reviewed contracts to the EDD Contract Coordination Group. The General Services review was generally the longest stage in the contract administration process.

While the Department of General Services had not commented on this change at the conclusion of our fieldwork, there is a demonstrated need to shorten this review phase if funds are to be spent in a timely manner.

In Reply
Refer to: 9 MGSI

February 26, 1975

Mr. Mario Obledo
Secretary,
Health, Education, and Welfare Agency
915 Capitol Mall
Sacramento, California 95814

Dear Mr. Obledo:

CETA Regional Bulletin No. 13-75, dated February 19, 1975, discusses the performance of prime sponsors in developing public service employment under Title II of the Comprehensive Employment and Training Act, in relation to the June 30 deadline for expenditure of FY 1974-75 funds.

As a result of our analysis of overall performance as of the end of last month, we will require monthly enrollment and cost plans for Title II activities, as well as monthly reports of accomplishments. Similar information has been required for Title VI. When it becomes available, I will provide the updated information to you. As Chairman of the Manpower Services Council, you may wish to use it, together with quarterly data furnished to the State Manpower Planning Office, to determine in which areas State participation may be most helpful in achieving total California CETA goals.

My staff is working on a distribution of PSE jobs among levels of public agencies, which I will forward to you when it is completed. I am, however, enclosing the results of reports from California sponsors on enrollments and accrued expenditures through January 31, 1975, including Title I. It is clear that although enrollments are close to or exceed planned targets for most sponsors, reported costs are lagging. Under Title II, this may lead, in many areas, to enrollments over those now planned. Overenrollment is now apparent for Title I activities, despite the lack of an expenditure deadline.

I should point out that local and balance-of-state sponsors are not alone in experiencing delays in fund utilization. The December 31 report for the Special Grant, funding Manpower Services Council Activities, shows enrollments and costs for both vocational educational and services projects as below 25 percent of levels planned for that period. $235,000 is reported as the five-month accrued expenditure, compared with over $7 million available for obligation and expenditure during most of the period. I have discussed with Jim Lorenz some of the problems associated with vocational education negotiations. I want to impart the same sense of concern about expediting plans for, and obligation of, the balance of Manpower Services funds.

Sincerely,

WILLIAM J. HALTIGAN
Assistant Regional Director
for Manpower

Enclosures

cc James D. Lorenz, Jr.
Mark Sanders

In Reply
Refer to: 9 MGSI

April 30, 1975

Mr. James D. Lorenz, Jr.
Director
Employment Development Department
800 Capitol Mall, Room 5000
Sacramento, California 95814

Dear Mr. Lorenz:

The Comprehensive Employment and Training Act (CETA) activity funded under the Governor's Special Grant is approaching the final quarter of this fiscal year. The CETA regulations (CFR, Title 29, Secs. 95.53 and 95.18) require that the Department of Labor determine that "maximum effort" has been exerted to achieve the goals of this year's plan as a condition for approving your grant application for Fiscal Year 1976.

The efforts of all California Title I prime sponsors have recently been assessed, primarily in relation to their achievements of the levels and quality of service planned and the development of information systems supporting effective management of their CETA programs. We have reviewed these factors for both sections of the grant under which direct services are provided: Vocational Education Services (VES) and State Manpower Services (SMS). Because VES activity is separately identified, I am sending a copy of this letter to Sam Barrett. We have also assessed the statewide review and coordination activity provided under the State Manpower Services Council section of the grant.

This letter reflects our review of your efforts to implement the Statewide CETA program. We will again review your activities by June 15, 1975 to determine whether specific corrective actions, designed to promote maximum effort, have been accomplished.

I. Provision of Service and Fund Utilization

Participant enrollments and estimated accrued expenditures through March 31 were compared with planned levels. Although enrollments were close to or exceeded those planned under both sections of the grant, expenditures were far below. This combination summarizes the late (third quarter) beginning of most VES and SMS projects.

Lower-than-planned costs in Vocational Education Services were caused by delayed submittal of proposed Non-financial Agreements and, more significantly, the lack of guidelines for using these funds for participant allowances. Contract negotiation and start-up, based on approved Non-financial Agreements, have been expedited.

Delays in utilization of SMS funds are associated with low level first round funding, a time-consuming evaluation process, and the uncertainty of commitments to the balance of these funds when the administration changed.

The effect of these underexpenditures is that funds potentially available this fiscal year to address California manpower problems have not been maximized. Of the $16.7 million special grant allocation, $6.5 million has yet to be obligated; and based on the most recent information available, we estimate that at least $8.35 million will not have been expended by the end of fiscal year--compared with $1.9 million initially planned.

II. Adequacy of Information Systems

Neither Vocational Education nor the State Manpower Planning Office has completed or formalized information systems sufficient for management purposes or for producing reliable quarterly reports. The SMPO has issued statistical and tentative reporting instructions to SMS operators; the cost accounting system has recently been supplemented by manual reports to produce timely estimates of administrative costs. Beyond this, however, responsibilities for basic elements of the systems are unclear, as are the types of information required among units with special grant responsibilities.

Within Vocational Education, the flow of information regarding the status of agreements and contracts is smooth. Reporting instructions on enrollment and costs are still tentative; the reports obtained have been questionable and have not arrived sufficiently

early following the report period to enable the State to validate or to provide timely quarterly information to sponsors or program managers. Finally, attention to report usage as a tool for field or central office staff has had low priority, and the potential impact of a claims-based computerized cost system on existing reporting arrangements and requirements should be evaluated.

## III. State Manpower Services Council Activities

Current State law does not conform to CETA regulations in either representational requirements or responsibilities. Moreover, plans to expand the Council have not been fulfilled. Translation of the Council's coordinating mission into day-to-day operations and staffing related assignments have occurred, in spite of the indeterminate status of the Council appointed in 1974. This has been a slow process, a fact reflected in the estimated year-end surplus of $550,000. These are funds which, if identified during the evolution of the SMSC staffing plan, might have been reprogrammed for direct services to participants. Finally, it is questionable whether staff work necessary for the leadership expected of a viable Council may be achieved within the staffing and organizational framework proposed, in view of anticipated SMS workload; on the other hand, the need for any staff is questionable in the absence of a functioning and representative Council.

The actions required to correct these deficiencies have been discussed with Mark Sanders and his staff. Relative to SMSC responsibilities these are:

1. A State Manpower Services Council whose membership complies with CETA regulations to be named by May 30. The described documentation of the acceptability to sponsors of the method for selecting their representatives is satisfactory.

2. Amendments which clearly distinguish between the roles of the SMSC and the Governor, or his executive delegate, and which provide for suitable membership requirements (CFR, Title 29, Sec. 95.13(d)) to be furnished for regional office review by May 20.

3. Complete by May 30 the organizational and staffing review, considering anticipated SMS projects which will be active during the next fiscal year, their monitoring and evaluation needs, and a total SMSC-related work plan. There will be a concurrent design

of reporting and information systems which correspond to organizational responsibilities. A description of these systems and their implementation to be submitted by June 15, with a progress report (not necessarily written) on both activities furnished by May 20.

Relative to provision of services:

1. Submission by May 9 of an acceptable modification to include remaining FY 1975 funds in all three sections of the grant. In addition to updating the description of SMPO's organization and staffing, the mod will specify anticipated VES, SMSC, and SMS lapsed funds and include a description of their proposed use. The June 30 commitment on unobligated SMS funds is also to be included.

2. Based on the planned method of evaluating responses to the second round RFP, final target dates to be established for proposal rating, contract negotiation, processing through EDD and other required State agencies, and followup. These to be communicated to involved staff, along with feedback expected on delays or developing backlogs. Schedule should be available May 9.

3. Obtain a description of the circumstances in which payment of allowances with VES funds is considered appropriate. Clarification to be added to instructions for completing the Non-financial Agreement package being revised by Vocational Education and SMPO staff. Provide sponsors by May 15 an update of the FY 1976 quarterly schedule of services to be furnished in that fiscal year under approved FY 1975 Non-financial Agreements and modifications.

4. Vocational Education staff to furnish through SMPO by June 15 a schedule for including costs in PCA and the method for their monthly (or quarterly) accrual; a plan for the systematic and timely summarization of data on enrollment, terminations, placements and costs, which describes their frequency and distribution among central and field staff as well as identifying specific responsibilities for training in, collection and processing of accurate data; and an outline and implementation schedule for monitoring (as opposed to evaluating) VES contracts, including use of plan/actual performance information and reports validation.

Finally, refunding of the Special Grant in July will depend upon submission of your FY 1976 application in accordance with CETA regulations and other Manpower Administration issuances.

Sincerely,

William J. Haltigan
Assistant Regional Director
for Manpower

cc: Sam Barrett

GHASS:pl

In Reply
Refer to: 9 MGSI

July 14, 1975

Mr. James D. Lorenz, Jr.
Director
Employment Development Department
800 Capitol Mall, Room 5000
Sacramento, California 95814

Dear Mr. Lorenz:

In his letter of April 30, 1975, Mr. Haltigan advised you of action to be taken relative to the CETA Special Governor's Grant to ensure re-funding prior to the end of the fiscal year.

In early June, it became apparent that an acceptable 1976 plan could not be submitted sufficiently early to allow funding by July 1, and your 1975 grant was extended to the end of July. At this point, although there has been visible progress in correcting 1975 deficiencies; and in developing an application for this fiscal year, I believe further extension of the SMSC (1 percent) and SMS (4 percent) portions of the grant is necessary. An extension, through September, will give you an opportunity to refine management and program plans for 1976 as well as time to orient the State Council to its role and to obtain its recommendations regarding program proposals and coordination of state and local manpower activities.

Although these sections will be extended with existing funds, this modification should add FY 1976 monies for the 5 percent Vocational Education portion of the grant. The main reason for this is to allow delivery of services to prime sponsors under approved non-financial agreements to avoid compounding delays experienced under the 1975 grant. In addition, in early July, both your staff and I reviewed the draft 1976 plan developed by Vocational Education staff; and with some changes currently being made, that portion of the grant should be ready for funding by the end of this month. Within the next

few days, I will advise you of the funds now available for obligation.

In order to complete this transaction, the grant modification (No. 605) should be submitted to this office by July 25. The new termination date will be on June 30, 1976. The Program Planning and Budget Information Summaries should show planned distribution of activities and costs for 1975 1 and 4 percent carry-in funds ($1,387,356 and $6,822,881, less accrued costs through June 30, 1975) in addition to the agreed-upon revision of the 5 percent distribution. The narrative should indicate any changes from the most recent substantive modification (503) that may be planned during the extension period and action to be taken before September 30 to align performance with the regulations governing this grant.

The impact of this extension on 1975 4 percent program activity and operations should be closely reviewed, since there will be no change in the policy regarding maximum utilization of 1975 and 1976 funds by June 30 of next year.

I will continue to work closely with your staff during this transition period. If you have any questions, please let me know.

Sincerely,

~~Arthur Douglas~~
~~Associate RMA~~

Gay Hass
Federal Representative

GHASS:pl

In Reply
Refer to: 9 MGSI

August 5, 1975

Mr. Martin R. Glick
Director
Employment Development Department
800 Capitol Mall, Room 5000
Sacramento, California 95814

Dear Mr. Glick:

I have reviewed the Quarterly Progress Report wrapping up the first year's activity under the Special Governor's Grant. The report sums up several problem areas which need to be addressed in a systematic way in the next six weeks, to get together the 1976 plan and to manage the 1976 program.

1. Despite the fourth quarter training effort, the reporting system developed for 5% Vocational Education activity is not functioning. In my opinion, one of the basic reasons is the diffusion of responsibility for processing reports among field staff, all of whom have programmatic responsibilities as well. Follow-up on missing reports, compilation of summary reports, validation and analysis of deliverer reports, providing basic data for project monitoring by field staff are functions that should probably be culled out and separately identified organizationally.

2. At the end of April, we estimated a year-end carryover of 1 % funds of $350,000, assuming a full staff complement. The QPR shows how optimistic that projection was. The evident consequence of the failure to free budgeted positions is the lack of preliminary staff work relative to SMSC functions. Somebody made the point at the National Commission hearings that the State was casting about to find an appropriate role. That's no doubt true in part, but on the other hand, CETA does mandate certain activities under the 1% and 4% sections where expected

developed

outcomes need to be articulated and a structure to support them. Thus far, there have been more thought and action put into those activities which are optional, than into those required.

3. The report on 4% services is a little more encouraging--at least the end-of-quarter overenrollment seems to indicate that compensatory action is occurring for the pattern of under-performance in individuals served, terminated and total costs. I assume field staff are providing appropriate help if that is not the case, as well as working with recently approved projects to get them off to a good start so that this trend will continue.

I think it would be advisable now to review the actual distribution of 4% funds in relation to that initially recommended by the SMSC, to obtain SMSC input on approaches to 1976 funding of E & D type projects based on some knowledge of statewide needs and the extent to which they are being addressed by local CETA sponsors and other grant-in-aid or state programs.

Sincerely,

Gay Hass
Federal Representative

cc: Donald Fowler

GHASS:pl

In Reply Refer
To: 9 MGSI

November 4, 1975

Mr. Martin R. Glick
Director
Employment Development Department
800 Capitol Mall Room 5000
Sacramento, CA 95814

Dear Mr. Glick:

I want to call to your attention discussions with your staff about the Status of Modification 606 to the Special CETA Grant.

Application for funding at the year's target level was submitted in late September. That Mod included a commitment to provide an affirmative action plan and a detailed plan for using State Manpower Services (4 per cent) funds within 60 days. At about the same time, regional policy was established which precludes full-funding of FY 1976 applications until approvable affirmative action plans are included. I expect acceptable plans from both the State Manpower Planning Office and the Department of Education CETA unit to be available by mid-November at the latest, and Mod. 606 could then be funded.

I am more concerned about timely decisions for distributing 4 per cent funds. I have reviewed the preliminary results of the SMSC Policy Committee's survey which provides a solid basis for SMSC recommendations. That ground-work needs to be acted on this month if 4 per cent activity is to begin to mesh with the grant period and, for model programs, with prime sponsor's planning and funding cycles. Hopefully, plans for these funds will be filled quickly enough after affirmative action plans are completed to allow all the adjustments to the pending Mod to be made simultaneously. If not, we should plan to obligate 1 per cent and 5 per cent funds and follow up with a later modification for 4 per cent funds.

Gay Hass
Federal Representative

GH/lm

In Reply Refer
To: 9 MGSI

November 4, 1975

Mr. Martin R. Glick
Director
Employment Development Department
800 Capitol Mall Room 5000
Sacramento, CA 95814

Dear Mr. Glick:

Once again an incomplete Quarterly Report covering the CETA Special Grant has been received in the regional office. There are no entries at all for Vocational Education Activity which means that neither you, Vocational Education, nor prime sponsors has a picture of activity and expenditure levels for 5 per cent funds.

This is not a new problem. The lack of an effective and reliable reporting system was pointed out in an April 30 letter to Mr. Lorenz. The June 30 QPR which also omitted the vocational education summary was finally revised in October to furnish the required information some two months after the due date. The lack of timely and accurate reporting affects the ability of both sponsors and the state to plan basic non-financial agreements as well as needed changes as the year proceeds. Indeed, a review of imput indicates that there is no systematic linking of planning data with reported data, and very little internal consistency among reported data.

In my opinion the site and complexity of the reporting requirements are such that responsibility for them cannot be decentralized to field staff. In addition, to reports on individual referrals, quarterly accounting is now required from nearly 100 contractors for about 170 class-size projects. A review of a small sample of reports showed not only a very high error rate but also a broad variety of errors. There appears to be a basic lack of understanding about what to report as well as what it means. This function is one which needs to be centralized and assigned as an ongoing, full-time responsibility, as is the case in SMPO. Available funds transferred for Voc. Ed. administration should be used for this purpose.

Although the rest of the quarterly report is complete, it is not problem-free. Several entries reflect poor planning, inaccurate reporting, or both; Columns C and D of the Financial Status Report make no sense at all. I think it essential that these data be validated.

Perhaps the most alarming information reported is that after 14 months of operations and costs approximating only 20 per cent of the 1975 allocation for SMS activities, the September 30 enrollment level is still 30 per cent below that planned. Whether this is due to slow start up of proposals approved last summer or poor performance of active contracts needs to be determined and appropriate assistance provided.

I will be in touchwith your staff on the details of these problems in the next few days.

Sincerely,

Gay Hass
Federal Representative

cc: Sam Barrett

GH/lm

In Reply Refer
To: 9 MCSI

January 28, 1976

Manuel Ortiz
Director, State CETA Office
800 Capitol Mall
Sacramento, CA 95814

Dear Manuel:

I appreciate the opportunity to share with you my concerns regarding the Special Grant. Since time was short and we discussed several different areas, I feel it's worthwhile to summarize them in writing:

1. The whole notion of advance planning was touched on in connection with both 5 percent and 4 percent activities. I can't emphasize too much the importance of fixing soon the level of State commitment (90 or 100 percent) for FY 1977 vocational education allocations, the method of allocating funds to sponsors, agreement on the level of State wide administration and policy. For 4 percent activities, the time is ripe for considering now how transition quarter funds may be used rationally, in anticipation of the annual allocation to be made available October 1. For any projects to be funded with 4 percent funds, you may want to consider the total level of both allocations in an RFQ or other funding process. The important thing is to begin now to develop alternatives for council consideration and recommendations.

Incidentally, I think the steps you've taken in pinning down the guidelines for project review are a very positive step toward developing a framework for identifying gaps and the impact of various approaches for future planning periods.

2. We also discussed the lack of systems (for want of a better word) in managing 4 percent activities. There is not only a need to plan on a reasonably timely basis, but a need as well to ensure follow-up based on articulated policies. One of the, assuptions underlying many of the currently funded projects is that if they proved successful, they would be in good shape to compete for prime sponsor funding in subsequent years. Aside from sending copies of monitoring reports to sponsors,however, there has been no explicit statement of whether a final evaluation of a project would be made and to whom it would be reported, whether some types of projects are more appropriately funded by the State rather than locally, and so on. Neither has there been an understanding of what the involvement of the SMSC should be in the continuing process.

3. Still on the 4 per cent, but from another perspective, some additional thinking is needed on ways to fulfill your coordinating responsibilities vis-a-vis State agencies and CETA sponsors. Most of the effort undertaken thus far has been project oriented or, as in the case of the 303-cooperative, been limited to EDD. Your plan this year describes the creation of local coordination groups, but as far as I know the staff work necessary to get that kind of effort underway has not been done.

4. The Council should be carrying out the full range of its mandated responsibilities, and the ability to do that depends largely on staff initiative. Some months ago, I sent to Pat Coleman an outline which tried to itemize approaches to review and monitoring responsibilities, as a take-off point for State staff to modify, expand on, etc. Priority areas have superceded follow-up in this area, but I think its important that staff prepare some options in the review, coordination, monitoring areas for the council to consider, and following that, again pinpoint how, when and by whom the work will be done, as a continuing part of your mission.

As I indicated yesterday, I will be monitoring the Special Grant during the next few weeks. Although I expect some of these same factors will surface in that review, I'll try not to be repetitious.

Congratulations on your appointment. I look forward to working with you to strengthen the State's role in CETA!

Sincerely,

Gay Hass
Federal Representative

GH/lm

U. S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION *
REGION IX

RECEIVED
718
JUN 1 1976

In Reply Refer
To: 9 TGSI

450 GOLDEN GATE AVENUE, BOX 36084
SAN FRANCISCO, CALIFORNIA 94102

RECEIVED
STATE CETA-O
JUN 0 1 1976
SACRAMENTO
#364

May 27, 1976

Mr. Martin R. Glick, Director
Employment Development Department
800 Capitol Mall, Room 5000
Sacramento, CA 95814

Dear Mr. Glick:

The Comprehensive Employment and Training Act (CETA) program has completed the third quarter of this fiscal year's activity. CETA Regulations (CFR, Title 29, Section 95.31) require sponsors to exert "maximum effort" in implementing Title I programs. The regulations (Section 95.17) also require that the Department of Labor determine whether such efforts have been made by grantees as a condition for approving subsequent grant applications. This letter reflects that determination relative to the Special Governor's Grant.

Four of the six substantive areas considered in making determinations of local prime sponsor performance have been evaluated for the special grant. These are: grant management, financial reporting, management information system, and adherence to regional office directives. Field visits, evaluations, and a review of performance reports of both Vocational Education (5 percent) and State Manpower Services (4 percent) provided the basis for this determination. The formal assessment does not apply to the California Employment and Training Council.

Fiscal Year 1976 performance has been given a rating of marginal; the standards and rationale for this determination are indicated in pertinent sections of the enclosed "Formal Assessment Outline." The determination reflects our judgment that necessary improvements in the administration of the grant can be accomplished over the transition quarter, enabling us to re-fund your program at the beginning of next fiscal year. Lack of accomplishment will result in delayed funding once again.

Over the past year, there has been substantial improvement in several of the key administrative areas, particularly as they relate to Vocational Education. Steps have been taken to strengthen coordination of plans and operations through reconciliation of non-financial agreements and contracts. However, the state must exert stronger leadership in ensuring that agreements are developed on a more timely basis, allowing

*New Name: Employment and Training Administration

both of us an opportunity to review not only what is accomplished, but also how that relates to what is planned.

Steps also need to be taken to ensure that financial and statistical reporting systems for both 4 and 5 percent funded activity capture valid information in the time periods and format required by the Department of Labor. Specific problem areas in reporting systems have been discussed with state staff and are described in a regional office monitoring report to be released next week.

The area of adherence to regional office directives considers efforts to develop an acceptable affirmative action plan and grievance procedure. Both the CETA office and Vocational Education Division responded to this requirement with adequate plans. Follow through in implementation of the CETA office plan is now needed.

Based on performance thus far, I am confident that you will have made measurable progress in these areas by the beginning of next fiscal year. There are, however, several key aspects of CETA office administration (identified in Section I of the enclosed outline) which are of greater concern.

Duplication of organizational functions, consistent delays in planning, funding and regulating contract activities, job descriptions which do not describe jobs being performed are all perhaps reflective of the extensive turnover and vacancies experienced this year in key positions in that office. Several of these were filled this month, providing the basis for conscious and systematic action to resolve these problems.

Your Federal Representative, Gay Hass, will work with you and your staff in developing specific actions to be taken to improve these aspects of your performance. If you have any questions or comments on this letter or the enclosure, please contact her at 556-7804.

Sincerely,

Arthur Douglas

Arthur Douglas
Associate Regional Administrator

/Enclosure

**U. S. DEPARTMENT OF LABOR**
**MANPOWER ADMINISTRATION**
**REGION IX**

In reply refer to
attn of: IX-TGS/I

450 GOLDEN GATE AVENUE, BOX 36084
SAN FRANCISCO, CALIFORNIA 94102

June 11, 1976

Mr. Martin R. Glick
Director
Employment Development Department
800 Capitol Mall, Room 5000
Sacramento, California 95814

Attention: Manuel Ortiz

Dear Mr. Glick:

The enclosed reports summarize conclusions and recommendations arising from intermittent monitoring of the special grant during the period from February through early May. Administration of 4 percent and council activities are reviewed in one report; 5 percent administration is treated separately in a second report. The appendix summarizes findings from visits of Federal staff to five 4 percent projects.

I apologize for the lag in time from the beginning of the review to this report. I realize, from subsequent discussions with you and your staff, that several of the deficiencies described in the enclosed have been recognized and initial steps are being taken to correct them. Since the recent formal assessment was based on the ability of the CETA office to organize its administrative systems by the beginning of next fiscal year, however, it is important that you address each of the recommendations enclosed, establish appropriate timetables and not allow assignments in basic areas to be superceded by the press of day-to-day business or additional undertakings such as state PSE coordination. Getting a stable orginzation in place and staffed with appropriate skills is critical.

I am sending directly to Sam Barrett a copy of this letter and the 5 percent report. Please coordinate with his office in preparing and following through on corrective actions indicated. I shall expect a response from you which describes, in detail, your actions relative to each of the recommendations and due dates by June 30. It is important thatthis deadline be met.

It is equally important that deadlines prescribed for developing, publishing and submitting FY 1977 plans be met. You and assigned staff need to be working out the distribution of 4 percent funds and means to assure timely obligation;

the same is true of Non-financial Agreements. The latest date for publication of summary plans is the end of August, but the Federal Representative will want a chance to react to preliminary plans before that.

Sincerely,

Gay Hass

Gay Hass
Federal Representative

## STATE MANPOWER SERVICES AND SERVICES COUNCIL

I. Organization, staffing and general administration.

Findings

Over its 2 year life, the most characteristic administrative feature of the State CETA Office has been the extent of its continuing staff vacancies. In February:

| | | |
|---|---|---|
| Authorized by Mod. 606 | - | 45 permanent P.E.'s |
| EDD Authorized Ceiling | - | 47 permanent P.E.'s |
| Currently filled | - | 31 permanent P.E.'s |

This summary points up two facts: that authorized costs (positions approved in the grant) were being disregarded, and that an expanding workload was being met by a staffing level of approximately two-thirds of the full complement. More than numbers is significant; key positions had remained unfilled for months, making decisions about priorities, development of basic administrative guidelines, implementation of an already delayed 4 percent plan, and unified direction of the office impossible to accomplish.

Position descriptions and mission and function statements approved in Mod. 606 carried discrepancies which were either discovered or confirmed during this review. P.D.'s are apparently not considered critical. One employee interviewed had not seen a job description, although employed several months. Field staff positions contain responsibilities regarding the State Council and sponsor interface which have been given neither structure nor direction. The relationship among staff and field units vis-a-vis 4 percent contractors and prime sponsors is not at all clear. Nor is the relationship clear between these units and temporary staff, assigned to assist the Council, and organizationally in limbo.

Recommendations

1. Fill current vacancies as soon as possible.

2. Develop a schedule (identifying who; when; what) for evaluating the current organization, including unit and individual functions. The review should be geared toward answering these questions:

a. What Council-related functions, if any, should field and permanent staff units perform?

b. What is the proper staff-line relationship in relation to 4 percent activities? This question is related to the more basic questions of how responsibilities for total 4 percent functions (as opposed to 4 percent projects) should be distributed. How do variations in the method and timing of funding 4 percent projects impact on staff assignments?

II. Contract Administration

Findings

Procedures have not been developed for review and processing of 4 percent contracts, modifications, or audits. Once negotiated in the field, contract proposals proceed through a multiple review stage, including the CETA Office (where the official log is maintained), CCG (where another official log is maintained), budget, accounting and legal sections within EDD, and external Departments as required by the State. There is no written statement of the purpose and scope of all these review stages, nor are review time frames explicit. The process is almost invariably lengthy.

Once executed, 4 percent contracts are subject to quarterly visits. A draft monitoring manual has been developed subsequent to this review, but a monitoring outline has been used by field staff most of the fiscal year. Monitoring reports reviewed and project sites visited by Federal staff indicated:

1. Problems common to many contractors which, had they been identified at a central point or points, could form the basis for staff or contractor training, revisions in contract format, contractor instructions, etc.

2. Variability in staff capacity to identify and assist in resolving all problems, ranging from outreach and intake through reporting and accounting.

At the time of the review, there was little evidence of tie-in between monthly reports and field monitoring activity. The revised reporting system will focus staff attention on accomplishment of goals; corrective action related to this, as well as compliance, should result from monitoring and desk audits.

Finally, planned affirmative action steps for 4 percent contractors have not been taken.

Recommendations

1. Develop a schedule and assignments for documenting the 4 percent contracting and modification procedure. For stages within or outside the CETA Office, assistance should be available from management services. The objectives of this exercise are to pinpoint responsibilities and to streamline the process.

Similarly, streamlining is mandatory if contracts are to be effectively managed. Under existing conditions, staff are reluctant to prepare needed modifications, to deobligate surplus funds, adjust goals, or whatever, because their route to approval is so drawn out.

Develop procedures for review and response to audit reports, including findings and determinations relative to questioned costs. These should include policy guidelines for recommendations to the contracting officer on allowing questioned costs.

Although the system generates monthly detailed reports, which first-line supervisory staff indicated were useful, it is not clear that reports have, in fact, been used in developing corrective actions for contractors. This is related partly to the fact that there appears to be little certainty about whether the plan of record is the most recent plan.

Recommendations

1. Prior to the beginning of FY 1977, the CETA Office should negotiate a formal and specific understanding with the Fiscal Division of services to be provided with resources to be furnished.

2. Revise standards for advancing funds to contractors to ensure compliance by the beginning of FY 1977.

3. Determine what steps are necessary to assure that internal reports and reports to DOL are based on accrued costs. Implement no later than October 1, 1977.

4. Periodic validation of summary reports against source documents should be planned to reduce misunderstandings about definitions and incomplete recording of documented services by contractor. Each of these was found in the Northern projects visited by Federal staff (New Ways to Work; East County Resources).

5. Initial planning should take into consideration contract processing delays in projecting startup dates. Procedures developed for contract and modification processing should assure distribution to the MIS section when executed copies become available.

## IV. State Services Council

Findings

Lacking designated representation of the public, the Council does not now conform to CETA requirements. In addition, vacancies which have occurred this year have not been filled.

The Council has yet to define the way in which required functions will be accomplished in a systematic fashion. Purposes and criteria for reviewing prime sponsor plans and related state agency plans have not been identified, although some manpower-related agencies have made presentations to the Council which have resulted in recommendations regarding better coordination. Similarly, purposes and criteria for reviewing sponsor and State agency programs and reports have not been developed. Involvement of committees in provision and use of state-furnished labor market information and in the planned Voc. Ed.-CETA conference are two of many ways in which this responsibility may be approached. On the other hand, the current Council, through

its committees, has become involved - appropriately - in coordinative and service-oriented 4 percent functions. At the time of the review these included such areas as the resources survey, planned sharing of Voc. Ed. equipment and the LMI agreement with EDD.

Finally, there has been an embarrassing delay in releasing the Report of the Governor for 1974-75. This was originally scheduled for publication in May of 1975.

Recommendations

1. Designate a public member and appoint additional Council members as soon as possible.

2. Our requested response to the proposed regional office policy statement on the SMSC role should help define priorities and approaches in the review and coordination areas. The impact of that directive should be considered in following up on Recommendation 2 in Section I of this report. The FY 1977 plan will need to be consistent with the final policy statement and a structure either in existence or planned to support it.

3. The FY 1977 CETA regulations will contain a 90-day limit, following the end of a fiscal year, for release of the report to the Governor. A schedule should be developed now to ensure that the December 31 deadline is met.

## Report of 4 Percent Project Visits

Federal staff conducted on-site reviews of the following projects: Orange County CDC; West side CDC (San Bernardino); Chicana Service Action Center; East County Resource Center; and New Ways to Work. Areas monitored at the first three projects included fiscal management; participant eligiblility; intake; and services to participants. Review at the last two sites was geared to records review and reports validation.

Monitoring by state staff and extensive technical assistance was evident at West Side, East County Resources and New Ways to work. Each of these organizations commented favorably on the help which had been received.

Areas of concern on the part of Federal staff have been discussed with state staff. They are summarized below for whatever additional action may be necessary.

### Orange County Community Development Council, Inc.

1. There is little indication that the Senior Workers Action Program is serving the Spanish-speaking community, the Black community, the Asian community, or Women.

#### Corrective Action

The State Office should assist the Orange County Community Development Council, Inc. in developing an affirmative action plan to reach minorities and women. This can be accomplished by outreach activities in minority community areas and by contacting local women and minority organization PTA, League of Women Voters, etc.).

2. A review of currently enrolled participants records indicated minor errors or omissions on the CETA 10 (items II.A.,II. K., II. M., II.N.,III, and IV).

#### Corrective Action

Monitoring should ensure that all items are completed and assistance in doing so should be provided.

3. The present contract used by the contractor is unacceptable. The current contract pays a flat rate that exceeds 50% of hourly rates paid to participants. There is no description of the nature, duration, and source of service.

#### Corrective Action

The State should insure that CETA Regional Bulletin No. 11-76 is complied with by the subcontractors in the future.

4. Administrative costs exceed 20% of the project funds. Administrative costs are budgeted at 20% but a telephone and records clerk has been budgeted under client services which is in error. For the period ending 2/29/76 administrative expenditures were 29% of total accrued expenditures, excluding personnel costs of the records clerk. The cost per slot is $8,333 annually, which is high in any type of Manpower training program, but particularly one providing short term on-the-job training.

The current budget provides for 4 full-time staff members-serving a total of 12 current enrollees. Since enrollees do not receive follow-up counseling, the need for a Director, 2 Job Developers and a Placement Counselor is questionable.

Corrective Action

The State should obtain a more reasonable administrative and unit cost. When the contract is renegotiated, to bring the subcontractor into compliance with CETA Regional Bulletin #11-76.

General Comments

The review team was disappointed in the OJT contracts developed (maintenance handiman, security officer, janitor handiman). Realistic consideration should be given to the participants abilities and needs. Contracts should not be developed in such potentially high risk occupations as security guards. There is a waiting list of participants eligible for CETA. It is suggested that the Orange County Community Development Council, Inc., review and contact those participants in the active file to determine their interest in the program. It is also suggested that referrals from EDD and other agencies be limited to those applicants who meet CETA eligibility criteria. A handout explaining the SWAP program to community organizations and referring agencies would be more than helpful.

West Side Community Development Corporation

1. West Side Community Development Corporation is receiving CETA funds from various sources: (a) Title I funds from the Inland Manpower Association; (b) 4% Governor's Grant; (c) other local Federal agencies (VA, CSA).

Corrective Action

There is little indication that CETA funds are being allocated by CETA Title, cost category or program activity. Whatever assistance is necessary should be provided by the State to the West Side Community Development Community Development Corporation in developing a cost allocation plan to assure CETA funds are being used in the manner intended.

2. The San Bernardino West Side Community Development Corporation and the Steelworkers Old Timers Foundation in Fontana currently have one woman enrolled in the program.

Corrective Action

2. An outreach procedure should be established to successfully recruit women into this training program. Possible recruitment sources include, but are not limited to, LULAC, PTA, League of Women Voters, and other grassroots community organizations which are aware of the manpower and training needs of women.

3. The San Bernardino West Side Community Development Corporation did not have any procedures for calling in eligible applicants.

Corrective Action

A written standardized procedure should be instituted for calling in eligible applicants, to control the services being provided to significant segments of the population the contractor wishes to serve, and those which we are encouraging them to serve.

4. Stricter control should be exercised in the stockroom. At the present time, the stockroom is open to all, and while there is a stockroom clerk present, there is no indication of control over the tools and equipment in the room.

Corrective Action

Tools and equipment that can readily be carried off should be controlled by the stockroom clerk.

5. The City of San Bernardino's Community Development Office, which approves the houses that require rehabilitation and repair prior to work done by the contractor, was not aware of DOL's poverty income criteria in so far as the applicants receiving services from West Side were concerned. The Community Development Office has been using income criteria approved by the Department of Housing and Urban Development which are higher than those allowed by DOL. A random sample of files (12) were reviewed to determine applicant eligibility and it was determined that those who had received West Side services, as well as those houses pending rehabilitation and repair, met DOL's poverty income criteria.

Corrective Action

Follow up with the West Side Community Development Corporation and through it the City of San Bernardino to assure that DOL standards are being used in the performance of the contract. The contractor should be required to keep a central file on the eligibility of home owners receiving home repair services.

General Comments

Active recruitment and enrollment of white and Spanish-speaking participants into the program is necessary to maintain ethnically-balanced enrollment of

applicants representative of the area being served by CETA.

You should satisty yourselves that training projects such as this, involving construction-related efforts, are excluded from coverage by the Davis-Bacon Act by contacting the San Francisco Regional Office of the Employment Standards Administration.

Chicana Service Action Center

1. The quarterly expenditure plan for this project was developed by dividing the amount of the contract into equal parts.

Corrective Action

If there is an additional modification of this contract, a realistic plan should be developed. Appropriate assistance and training should be given contractors (and staff, if necessary) to ensure that realistic, and meaningful plans may be developed.

General Comments

The cost per slot is $7,747 making this project also one of high cost. The cost would be even higher if inkind services of recruitment, outreach, counseling and follow-up provided by affiliated agencies were considered.

Justification for the costs lies, in part, in the expectation that each enrollee will return to her local community to provide employability assistance there to an additional 100 women. The curriculum, however is directed almost exclusively toward the CETA program, with little formal emphasis on developing skills necessary to provide such assistance.

East County Resource Center

1. Acting on instructions from a previous monitoring visit by the state project officer, staff had completed a massive updating and reconciliation of intake and activity records. With the exception of incomplete documentation of services received these appeared to be in adequate order.

Corrective Action

Continued follow-up to obtain a complete record on the CETA-10.

2. The state representative had recently imposed requirements assuring adequate control for disbursement, including payroll documentation. One unauthorized payment was noted.

The project is reporting costs on a cash basis.

Corrective Action

The unauthorized payment needs to be backed out of the system. Assistance should be provided to convert cash records to accrued reports.

General Comments

The project provides a variety of services to ex-prison inmates. Linkages have been established to support a pre-release effort as well. Stronger coordination with Title I activity in the area appears feasible.

New Ways to Work

The administrative control system at this site is well designed and well-maintained. Comparison of March summary listings and cost reports with active and inactive files, accounts, and documentation showed complete agreement and back up. Project staff had complied completely with previous assistance given to strengthen fiscal controls.

Based on a misunderstanding of definitions, direct and indirect placements have been erroneously reported. This was to have been corrected in the next monthly report.

Corrective Action

Ensure that corrected report is submitted.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps